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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

CHAS. S. TANNER CO. and
NATIONAL STARCH AND CHEMICAL
CORPORATION,

Petitioners,

v.

AIR PRODUCTS AND CHEMICALS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR CERTIORARI

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QUESTION PRESENTED FOR REVIEW

May a District Court, relying on a local court rule and practice, deny a litigant notice of and opportunity to meet an opponent's contentions, including a claim for more than $1 million in attorney fees, by requiring that both trial briefs and post-trial submissions be received on an *ex parte* basis?

STATEMENT UNDER RULE 28.1

Pursuant to Rule 28.1 of this Court, petitioner National Starch and Chemical Corporation states that it is a subsidiary of National Starch & Chemical Holding Corporation, New York, New York which is a subsidiary of Unilever N.V., a foreign corporation, Rotterdam, The Netherlands. National Starch and Chemical Corporation has no subsidiaries or affiliates.

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ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
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PETITION FOR CERTIORARI

Petitioners Chas. S. Tanner Co. and National Starch and Chemical Corporation ("National")[1] pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit holding Air Products' ("AP's") patent no. 3,708,388 ("'388 patent") valid, enforceable and infringed and awarding AP attorney fees.

[1] "National" refers to both petitioners, Chas. S. Tanner Co. and National Starch and Chemical Corporation.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit (A 1-6) is not reported. The opinion of the United States District Court for the District of South Carolina (A 7-84) is not reported in Federal Supplement. It is reported unofficially at 219 USPQ 223.

JURISDICTION OF THIS COURT

The judgment of the Court of Appeals was entered on June 29, 1984. The Court of Appeals denied National's petition for rehearing and suggestion for rehearing en banc on August 10, 1984. This petition was filed within 90 days thereafter. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION, RULES AND CANON INVOLVED

Relevant to this petition are the Fifth Amendment of the United States Constitution, Rules 16(c)(5) and (e) and 52(a) of the Federal Rules of Civil Procedure, local court rule entitled ORDER RE: CIVIL CASES SET FOR TRIAL IN SPECIAL OR REGULAR TERMS OF COURT IN THE DISTRICT OF SOUTH CAROLINA (D.S.C. July 7, 1964) and Canon 3, A(4) of the Code of Judicial Conduct. Each of these is printed in its entirety in the Appendix (A 100-105).

ORDER RE: CIVIL CASES SET FOR TRIAL IN SPECIAL OR REGULAR TERMS OF COURT IN THE DISTRICT OF SOUTH CAROLINA, reads in pertinent part:

> "In view of the large number of civil cases pending in the District, and in view of the fact that several special terms of civil court have been set, and in order to expedite the trial of such cases, all attorneys having civil cases set for trial at any special or regular terms of court are hereby directed to furnish to the Court a trial brief at least five (5) days prior to the opening of the term of Court in which such case is set for trial . . . .
>
> * * *

"(It is understood that the information required herein is for the sole use of the Court, and it is not expected that copies will be furnished to opposing counsel.)

"July 7, 1964"

Rule 16(c)(5), F.R.Civ.P., whose pertinent part became effective August 1, 1983, reads:

"(c) Subjects to be Discussed at Pretrial Conferences. . . .

"(5) . . . exchanging pretrial briefs. . . ."

Canon 3, A(4) of the Code of Judicial Conduct reads in pertinent part:

"A judge should accord to every person who is legally interested in a proceeding, or his lawyer, full right to be heard according to law, and, except as authorized by law, neither initiate nor consider *ex parte* or other communications concerning a pending or impending proceeding."

STATEMENT OF THE CASE

This action was commenced in May 1979 in the United States District Court for the District of South Carolina and assigned to the Honorable G. Ross Anderson, Jr. The complaint alleged that Chas. S. Tanner Co. ("Tanner") manufactured, used and sold certain adhesives that infringed AP's '388 patent and violated AP's trade secret rights. Jurisdiction was based on 28 U.S.C. § 1338(a). National Starch and Chemical Corporation acquired Tanner in 1980 and was added as a defendant in 1981. In December 1981 the issues of alleged damage to AP and alleged patent misuse were severed from the patent and trade secrets liability issues and reserved for subsequent trial. No reference was made to an issue of attorney fees in the severance order.

On September 10, 1982, the District Court ordered that the trial of the first phase of the case commence on November 29, 1982. There was no pretrial conference or similar pretrial procedure. No pretrial order was entered delineating the issues to be tried. On November 24, 1982, the parties exchanged lists of exhibits. On November 26, 1982, pursuant to the local court rule set forth above, the parties submitted trial briefs[2] to the District Court on an *ex parte* basis. Neither side was given the other's brief. Neither party was informed of the identity of witnesses to be called other than experts. The Court required only that each evening a party identify witnesses to be called the next day. Trial lasted 12 days and resulted in 3000 pages of transcript and the admission of over 1350 exhibits. There were no closing arguments. On December 15, 1982, the District Court denied National's request that it be permitted to see AP's post-trial submissions. There were no post-trial briefs. On February 15, 1983, pursuant to the District Court's order, both parties submitted proposed findings of fact and conclusions of law on an *ex parte* basis.

On May 3, 1983, the District Court issued an opinion holding that the '388 patent was valid, enforceable and infringed but that National had not misappropriated AP's trade secrets. The District Court also held that the case was "exceptional" within the meaning of 35 U.S.C. § 285 and on this basis awarded AP attorney fees, subject to proof of their amount. National subsequently moved under Rules 59(e) and 60(b), F.R.Civ.P., for deletion of the attorney fees award because it had not been given notice that the issue of liability for attorney fees was being tried in the first phase of the case and had not introduced any evidence on the issue. The District Court denied this motion on June 14, 1983.

National filed a timely appeal to the United States Court of Appeals for the Federal Circuit. AP did not file a cross appeal. On June 29, 1984, the Court of Appeals affirmed the District Court decision. On August 10, 1984 the Court of Appeals denied National's petition for rehearing and rehearing en banc.

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[2] Petitioners use the terms "trial brief" and "pretrial brief" interchangeably in this petition.

REASONS FOR GRANTING THE WRIT

A. The District Court Improperly Departed From The Accepted And Usual Course Of Judicial Proceedings By Following *Ex Parte* Procedures That Denied National Notice Of And An Opportunity To Meet AP's Contentions

The procedure followed by the District Court required *ex parte* arguments by each party that were not disclosed to the other party. National was thereby denied an opportunity to meet arguments that had been made to the Court by its adversary. This procedure is inconsistent with the rules and practice of most other federal district courts, with the spirit and now the letter of the Federal Rules of Civil Procedure, and with the Code of Judicial Conduct and the Constitutional requirement of due process.

The matters at issue in the first phase of the bifurcated trial were complex and substantial. They included National's right to make, and ultimately the public's right to use, the adhesives allegedly covered by the patent in suit, as well as National's potential liability for many millions of dollars in past damages. As National discovered only upon reading the District Court's opinion, these issues also included that of liability for what may amount to more than $1 million dollars in attorney fees.

While a District Court has discretion as to whether and how to define the issues for trial, the *ex parte* procedure used in this case was wholly improper. That procedure was based on a rule of the District Court for the District of South Carolina, which contemplates that the trial briefs are to be submitted on an *ex parte* basis. This expectation was enforced in this case with an observation by the Court that an exchange of pretrial contentions would render them "totally useless". The District Court also required that post-trial submissions be *ex parte*, apparently permissible in that District. The effect was equivalent to permitting counsel to telephone the judge with an argument that the other side never hears.

This matter is of general importance in the administration of federal justice and warrants the exercise of the Court's supervisory authority over the federal court system. Pertinent here is *La Buy* v. *Howes Leather Co.*, 352 U.S. 249, 251 (1957), in which this Court said:

> "The importance of the question in the administration of the Federal Rules of Civil Procedure, together with the uncertainty existing on the issue among the Courts of Appeals, led to our grant of a writ of certiorari."

No other district court in the United States has a rule like that of the District of South Carolina, although such a practice concerning pretrial and post-trial submissions may occur in other federal courts. Indeed, the rules and practice in most federal courts are to the contrary. The Federal Rules of Civil Procedure contemplate fair pretrial notice of the issues in controversy. Moreover, Rule 16(c)(5), F.R.Civ.P., which became effective on August 1, 1983, makes this principle explicit by referring to "filing and *exchanging* pretrial briefs" (emphasis supplied).

A writ of certiorari should issue to correct the denial of fair procedure in this case and to establish that the procedures sanctioned by the District Court's rule of court,[3] however

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[3] There was no normal exercise of the Court of Appeals' supervisory authority in this case. The Court of Appeals for the Federal Circuit is a unique court with limited jurisdiction. See 28 U.S.C. § 1295. It has recognized that, because of these jurisdictional limitations, it has no supervisory authority over the district courts. See *Petersen Mfg. Co.* v. *Central Purchasing, Inc.*, 740 F.2d 1541 (Fed.Cir. 1984); *C.P.C.* v. *Nosco Plastics, Inc.*, 719 F.2d 400, 401 (Fed.Cir. 1983). Recognizing this limitation, the Court of Appeals has recently stated that, to "minimiz[e] confusion and conflicts . . . the Federal Circuit shall review procedural matters, that are not unique to patent issues, under the law of the particular regional circuit court where appeals from the district court would normally lie." *Panduit Corp.* v. *All States Plastic Manufacturing Co., Inc.*, No. 84-569, Slip Op. at 18-20 (Fed.Cir. September 25, 1984). This lack of supervisory authority might have contributed to the Court of Appeals' failure to deal with the procedural errors of the District Court.

expedient they might seem, are impermissible in federal civil justice. They deny a party the opportunity to meet the case against it and deny the court the benefit of counterposed presentation by counsel.

A premise of the adversary system is that a court will best render justice if each party knows and can criticize its opponent's positions. As this Court said in *Williams* v. *Florida,* 399 U.S. 78, 82 (1970):

> "The adversary system of trial is hardly an end in itself; it is not yet a poker game in which players enjoy an absolute right always to conceal their cards until played" (footnote omitted).

See also *Wardius* v. *Oregon,* 412 U.S. 470, 474 (1973).

The opposing party plainly has the strongest incentive to expose the weaknesses of a protagonist's contentions. See *United States* v. *Rosner,* 485 F.2d 1213, 1230 (2 Cir. 1973). The court cannot function properly if its rules preclude the parties from making such responses.

The *ex parte* procedure followed by the District Court in this case seriously prejudiced National in two major respects. First, it resulted in a finding that National must pay attorney fees to its adversary even though National never knew that this issue of attorney fees was being tried. Second, the Court found against National on the issues of patentability, enforceability and infringement on the basis of arguments that National had no knowledge of. On each of these issues National was denied the opportunity to meet AP's presentation. Thus it was denied the protection afforded a litigant by the Constitution, the Federal Rules of Civil Procedure, the Code of Judicial Conduct and the standards of federal civil justice.

Obviously this Court cannot decide the merits of the issues in question, but it can remand to the District Court to give National the opportunity to be heard on these issues.

1. Despite The Complexity Of The Case, Neither A Pretrial Order Nor Any Other Exchange Of Contentions Delineated The Issues To Be Tried

Ordinarily, and almost always in a complex case, a civil litigant in federal civil justice is apprised before trial of the issues to be tried, its opponent's contentions as to those issues, and the proofs the opponent will offer. The central aim of the Federal Rules of Civil Procedure is to fulfill this goal. See *Surowitz* v. *Hilton Hotels Corp.*, 383 U.S. 363, 373 (1966).

This was a case in which the issues of law and fact were complex. The pleadings in this case were general. Discovery was pervasive. Nevertheless, the District Court made no effort before trial to frame the matters at issue. No statements of contention were permitted before trial except those submitted *ex parte* without disclosure to the other side. The post-trial submissions were also *ex parte*.

There are various procedural devices to delineate issues to be tried. For example, Rule 16(e), F.R.Civ.P., permits a court to enter a pretrial order identifying the issues before it.[4] Such an order limits the proofs to those issues. See, e.g., *United States* v. *First Nat. Bank of Circle*, 652 F.2d 882, 886 (9 Cir. 1981):

> "[A] party need offer no proof at trial as to matters agreed to in the order, nor may a party offer evidence or advance theories at the trial which are not included in the order or which contradict its terms. Disregard of these principles would bring back the days of trial by ambush and discourage timely preparation by the parties for trial" (footnote omitted).

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[4] The Court of Appeals referred to a "pretrial stipulated order" by the District Court (A 93-96) as meeting the notice requirement (A 5). This order was not a "pretrial order" in the understood sense of that term. It was entered almost one full year before the commencement of the trial. It controlled the scope of discovery and severed and stayed the trial of "damages" and antitrust issues. It did not specify the issues in dispute. In particular, the order did not indicate whether attorney fees was a matter of liability or damages, and therefore whether it would be tried in the first phase.

Alternatively, the issues may be delineated by an exchange of pretrial memoranda. See, e.g., *Price* v. *Inland Oil Co.*, 646 F.2d 90, 95-96 (3 Cir. 1981). Another means of delineating issues is to require amendment of the pleadings.[5] See Rule 15, F.R.Civ.P.; 3 *Moore's Federal Practice* ¶ 15.08[3] (2d ed. 1948, revised 1984). Another is to incorporate the parties' contentions under Rule 33(b). See *Sundstrand Corp.* v. *Standard Kollsman Industries, Inc.*, 488 F.2d 807, 811-12 (7 Cir. 1973); 4A *Moore's Federal Practice* ¶ 33.17[2.-2] (2d ed. 1948, revised 1984).

National had the benefit of none of these protections. Worse still, it had no way to know what issues AP was arguing *ex parte* to the Court.

2. AP's Trial Contentions Were Received On An *Ex Parte* Basis In Violation Of The Standards Of Federal Civil Justice

The District Court made it plain to the parties that no exchange of contentions was to be permitted. In the course of discussion of a request by National that post-trial submissions be exchanged, the Court said (A 99):

> "Do you know what that does to a trial brief? Renders it totally useless if you let the other lawyers see—we have an absolute policy among federal judiciary in this state. Nobody except the law clerk sees your trial brief, nobody. They aren't even filed. They are just marked for the court. The clerk's office doesn't even see them. We found that if you trade trial briefs, you have a tendency to overstate, gloss over and omit. If nobody sees it, you can be somewhat forthright. That's been our experience, and, quite frankly, I think, if it were left up to me, I would abolish the trial brief. All I think they are is to make lawyers put in extra work, I'm not a believer in trial briefs."

The District Court's position corresponds to a long-standing order of the District of South Carolina that a pretrial

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[5] Here the only amended pleadings were general statements of claim filed midway in the discovery stage.

brief "is for the sole use of the Court, and it is not expected that copies will be furnished to opposing counsel." ORDER RE: CIVIL CASES SET FOR TRIAL IN SPECIAL OR REGULAR TERMS OF COURT IN THE DISTRICT OF SOUTH CAROLINA (D.S.C. July 7, 1964) (A 100-102).

This *ex parte* procedure is inconsistent with generally recognized standards of federal civil practice. The rules of many district courts are contrary to the South Carolina rule in that they expressly mandate exchange of pretrial briefs.[6] The rules of many other district courts are silent on exchange of pretrial briefs,[7] but experienced practitioners recognize that exchange is contemplated under such circumstances.

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[6] The local court rules of the following districts require exchange of pretrial briefs: D. Alaska; E.D. and W.D. Arkansas; C.D., E.D., N.D. and S.D. California; D. Connecticut; D. Hawaii; D. Idaho; S.D. Indiana; D. Kansas; E.D. and M.D. Louisiana; D. Maine; E.D. and W.D. Michigan; D. Minnesota; N.D. Mississippi; D. Montana; D. Nebraska; D. New Hampshire; D. New Jersey; M.D. North Carolina; D. North Dakota; M.D. Pennsylvania and W.D. and E.D. Tennessee.

[7] The local court rules of the following districts are silent regarding exchange of pretrial briefs: M.D., S.D. and N.D. Alabama; D. Arizona; D. Colorado; D. Delaware; D. District of Columbia; S.D., N.D. and M.D. Florida; M.D., S.D. and N.D. Georgia; S.D., N.D. and C.D. Illinois; N.D. Indiana; N.D. and S.D. Iowa; E.D. and W.D. Kentucky; W.D. Louisiana; D. Maryland; D. Massachusetts; S.D. Mississippi; W.D. and E.D. Missouri; D. Nevada; D. New Mexico; S.D., E.D., N.D. and W.D. New York; E.D. and W.D. North Carolina; S.D. and N.D. Ohio; N.D., W.D. and E.D. Oklahoma; D. Oregon; W.D. and E.D. Pennsylvania; D. Puerto Rico; D. Rhode Island; D. South Dakota; M.D. Tennessee; S.D., W.D., E.D. and N.D. Texas; D. Utah; D. Vermont; E.D. and W.D. Virginia; E.D. and W.D. Washington; N.D. and S.D. West Virginia; E.D. and W.D. Wisconsin and D. Wyoming. Some of the district courts with local court rules that are silent on the exchange of pretrial and post-trial submissions do have rules which prohibit *ex parte* contacts with the court. See, e.g., S.D. and N.D. Georgia and E.D. North Carolina. Otherwise, there is nothing to restrain a court from prohibiting such an exchange in these districts. See, e.g., *Photovest Corp.* v. *Fotomat Corp.*, 606 F.2d 704, 708 & n.2 (7 Cir. 1979), discussed *infra*, pp. 12-13.

Similarly with regard to exchange of post-trial submissions, under the practice of the District of South Carolina such an exchange of submissions may be prohibited, as it was in this case. In this respect also the rules of many other district courts are contrary in that they expressly mandate exchange of post-trial submissions.[8] However, many district court rules are silent on this point.[9]

The practice in the Court below plainly and simply violates the principles of due process. The point is stated in *Morgan* v. *United States,* 304 U.S. 1, 18-20 (1938), in which this Court vacated an order based on proposed findings submitted *ex parte:*

> "The right to a hearing embraces not only the right to present evidence but also a reasonable opportunity to know the claims of the opposing party and to meet them . . . .
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> * * *

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[8] The local court rules of the following districts require exchange of post-trial proposed findings of fact and conclusions of law: D. Alaska; D. Arizona; E.D. and W.D. Arkansas; S.D., C.D. and E.D. California; D. Hawaii; M.D. and W.D. Louisiana; D. Montana; D. Nevada; N.D. Ohio and E.D. Washington.

[9] The local court rules of the following districts are silent regarding exchange of post-trial proposed findings of fact and conclusions of law: M.D., S.D. and N.D. Alabama; N.D. California; D. Colorado; D. Connecticut; D. Delaware; D. District of Columbia; S.D., N.D. and M.D. Florida; M.D., N.D. and S.D. Georgia; D. Idaho; C.D., N.D. and S.D. Illinois; N.D. and S.D. Indiana; N.D. and S.D. Iowa; D. Kansas; E.D. and W.D. Kentucky; E.D. Louisiana; D. Maine; D. Maryland; D. Massachusetts; E.D. and W.D. Michigan; D. Minnesota; N.D. and S.D. Mississippi; W.D. and E.D. Missouri; D. Nebraska; D. New Jersey; D. New Mexico; S.D., E.D., N.D. and W.D. New York; M.D., W.D. and E.D. North Carolina; D. North Dakota; S.D. Ohio; N.D., W.D. and E.D. Oklahoma; D. Oregon; E.D., M.D. and W.D. Pennsylvania; D. Puerto Rico; D. Rhode Island; D. South Dakota; E.D., M.D. and W.D. Tennessee; S.D., W.D., N.D. and E.D. Texas; D. Utah; D. Vermont; E.D. and W.D. Virginia; W.D. Washington; N.D. and S.D. West Virginia; E.D. and W.D. Wisconsin and D. Wyoming.

> "Congress, in requiring a 'full hearing,' had regard to judicial standards,—not in any technical sense but with respect to those fundamental requirements of fairness which are of the essence of due process in a proceeding of a judicial nature. If in an equity cause, a special master or the trial judge permitted the plaintiff's attorney to formulate the findings upon the evidence, conferred *ex parte* with the plaintiff's attorney regarding them, and then adopted his proposals without affording an opportunity to his opponent to know their contents and present objections, there would be no hesitation in setting aside the report or decree as having been made without a fair hearing. The requirements of fairness are not exhausted in the taking or consideration of evidence but extend to the concluding parts of the procedure as well as to the beginning and intermediate steps."

This principle is expressed in the Code of Judicial Conduct, adopted by the Judicial Conference in 1973 and which provides in Canon 3, A(4):

> "A judge should accord to every person who is legally interested in a proceeding, or his lawyer, full right to be heard according to law, and, except as authorized by law, neither initiate nor consider *ex parte* or other communications concerning a pending or impending proceeding." 69 F.R.D. 273, 275 (1976).

The procedure followed by the District Court is also in conflict with the rationale of the Court of Appeals for the Seventh Circuit in *Photovest Corp.* v. *Fotomat Corp.*, 606 F.2d 704 (7 Cir. 1979). The Court there held that even a delayed exchange of pretrial briefs[10] was repugnant to principles of fair trial:

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[10] The local district court rule involved in *Photovest* was silent concerning exchange of briefs. The Court of Appeals in *Photovest* listed five districts, including the district from which the appeal was taken, that failed to provide by rule for the exchange of trial briefs. *Photovest*, 606 F.2d at 708 n.2, 709 n.4. Since the *Photovest* decision, all but one of those districts have amended their rules to remedy this failure. See E.D. and W.D. Arkansas Rules 3(i) and 13; S.D. Indiana Rule 21(f); E.D. Michigan Rule 24(b); D. Kansas Rule 20(c). The District of South Carolina seems to stand alone in expressly prohibiting the exchange of trial briefs.

> "[W]e are of the opinion that exchange of trial briefs at the time they are filed with the court is sounder procedure, being one more consistent with the elimination of gamesmanship aspects of litigation and, indeed, with the quest for truth, presumably the ultimate aim of adversarial litigation. Any benefits that a delayed exchange may provide are outweighed by the increased potential for prejudice and by the added difficulties resulting from postponing until after trial the curing of any real prejudice caused by the trial briefs. The district court judge, particularly in the case of a long and complex trial, who has entertained incorrect concepts about some aspects of the case during the course of the trial because of an ex parte brief, is placed in the difficult position of returning to a status quo ante position prior to engaging in the decisional process." *Photovest,* 606 F.2d at 710.[11]

Moreover, the rule and practice in South Carolina[12] conflicts with the language of recently adopted Rule 16(c)(5), F.R.Civ.P. That rule, which became effective on August 1, 1983, specifies that one of the subjects to be discussed at a pretrial conference is a "schedule for filing and exchanging

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[11] The Court of Appeals in the instant case evidently failed to understand what transpired in the District Court. This is manifest from its misfounded reliance on *Photovest* for the proposition that the failure to exchange pretrial briefs is not unfair (A 5). *Photovest* dealt with the *delayed* exchange of pretrial briefs. The court in that case found no violation of procedural fairness only because "the trial briefs were to be exchanged after trial giving both parties an opportunity to respond to any inaccuracies or misleading information before the court rendered judgment." *Photovest,* 606 F.2d at 710. In the instant case exchange of contentions was also denied at the post-trial stage.

[12] The District Court for the District of South Carolina has recently entered an order purporting to implement newly amended Rule 16(b), F.R.Civ.P. See IN THE MATTER OF: RULE 16(b) FEDERAL RULES OF CIVIL PROCEDURE (D.S.C. October 7, 1983). Although this order requires that the parties exchange information regarding the substance and scope of the suit, the District's rule continues to prohibit exchange of pretrial briefs. There is no indication the practice concerning post-trial submissions that was followed in this case has been changed.

pretrial briefs." The purpose of Rule 16(c)(5) is "the elimination of surprise at trial." 3 *Moore's Federal Practice* ¶ 16.14 (2d ed. 1948, revised 1984). That purpose is frustrated by the practice now obtaining in South Carolina.

The Court of Appeals in the instant case conceded that the District Court's "practice concerning pretrial briefs may not be the better one in this situation" (A 5). It indulged the error on the ground that "National's trial counsel did not raise the exchange-of-pretrial-briefs issue until after trial and then only informally" (A 5). This is a serious equivocation. The local rule of court prohibited pretrial exchange of briefs, so that asking for such an exchange would have been futile, and perhaps impertinent. As for a post-trial exchange, counsel for National made it plain to the District Court that it wanted exchange of post-trial submissions. The District Court met National's request as follows (A 99):

> "*Mr. Flintoft:* Your Honor, should those proposed findings and conclusions be served on one another?
>
> "*The Court:* No. No proposed findings. You don't get the benefit of his, he doesn't get the benefit of yours.
>
> "*Mr. Flintoft:* The reason I asked was that I was surprised by the rule with respect to the pretrial briefs, and I just thought I should ask on this as well. So it's just submitted to the Court, then?"

It is well-settled that a trial judge may not uncritically adopt a party's proposed findings. See *Nyyssonen* v. *Bendix Corp.*, 137 USPQ 853, 853-54 (D.Mass. 1963), affirmed 342 F.2d 531 (1 Cir. 1965); *Rosemount, Inc.* v. *Beckman Instruments, Inc.*, 727 F.2d 1540, 1544 n.4 (Fed. Cir. 1984). The procedure below permitted adoption of prevailing party proposals without even opportunity for criticism, and hence is equally incompatible with proper procedure for making findings. *Chicopee Manufacturing Corp.* v. *Kendall Company*, 288 F.2d 719, 724-25 (4 Cir. 1961).

B. The District Court's Procedures Prejudiced National

National entered the trial of this case in the dark. It was denied any specification of AP's contentions about the issues of validity, enforceability and infringement of the '388 patent. It was unaware that the District Court would try the issue of AP's entitlement to attorney fees under 35 U.S.C. § 285.[13]

1. Attorney Fees Were Awarded During The First Phase Of The Trial Although National Was Not Fairly Apprised That The Issue Was Then Before The Court

Barring exceptional circumstances, each party to a litigation bears its own attorney fees. *Alyeska Pipeline Co.* v. *Wilderness Society,* 421 U.S. 240, 269 (1975). This policy applies in patent cases, *Rohm & Haas Co.* v. *Crystal Chemical Co.,* 736 F.2d 688, 692-93 (Fed.Cir. 1984), unless there are "exceptional circumstances," as provided in 35 U.S.C. § 285.

National did not know that the issue of "exceptional circumstances" was being tried in the first phase of the trial. There was no reference to that issue in the "pretrial stipulated order" referred to by the Court of Appeals (A 5). AP did not adduce any direct testimony on this issue.[14] The absence of a

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[13] 35 U.S.C. § 285 reads:

"The court in exceptional cases may award reasonable attorney fees to the prevailing party."

[14] The District Court, in denying National's Rule 59(e) and 60(b) motion, said that the evidence to support its attorney fees award was offered by National (A 89). That turned out to be testimony by one witness directed to the issue that the alleged infringement was not willful and wanton, characterized by the Court as a "very narrow issue" (A 98). There is nothing at this place in the trial transcript, or anywhere else in the papers made available to National, which addresses the § 285 issue. Moreover, even assuming, *arguendo,* that the issue of "willful and wanton infringement" was tried and determined, any such determination does not mean that the issue of attorney fees under § 285 was also being tried. See *TWM Manufacturing Co., Inc.,* v. *Dura Corp.,* 213 USPQ 423, 428 (E.D.Mich. 1981), affirmed in pertinent part 722 F.2d 1261 (6 Cir. 1983); *Saturn Mfg.* v. *Williams Patent Crusher & Pulverizer,* 713 F.2d 1347, 1358 (8 Cir. 1983); *General Electric Company* v. *Sciaky Bros., Inc.,* 415 F.2d 1068, 1077 (6 Cir. 1969).

pretrial order or similar pretrial procedure, and the District Court's prohibition of exchange of pretrial or post-trial submissions, resulted in National's learning of the § 285 issue only when it read the decision awarding attorney fees. That National was under prejudicial misapprehension is confirmed by the fact that no reference to the § 285 issue appears in National's pretrial brief or post-trial submission. To this day National has never seen AP's pretrial and post-trial submissions. It therefore does not know what arguments were advanced by AP to persuade the District Court that attorney fees should be awarded under § 285.

The District Court based its award of attorney fees on a finding that "defendants never had a good faith belief that the '388 patent was invalid" (A 71). Regarding National's good faith belief, the District Court relied heavily on the proposition that "no written opinion obtained by CST [Tanner] supporting such advice on the validity of the '388 patent was ever introduced into evidence" (A 71). The Court of Appeals similarly relied on National's failure to introduce such opinions.[15] This was grossly unjust. National in fact had opinions of two different attorneys who had independently concluded that the '388 patent was invalid or not infringed.[16] Had National known that the attorney fees question was at issue it would have introduced these opinions. Inference from omission is fair only if warning is given to be forthcoming with evidence.

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[15] Regarding the good faith issue, the Court of Appeals also referred to National's attempt to avoid infringing the '388 patent (A 5). That attempt does not impugn National's good faith. Any reasonable businessman would try to avoid infringing so as to stay out of a patent fight. See *Deere & Co.* v. *International Harvester Co.*, 658 F.2d 1137, 1148 (7 Cir. 1981):

> "IH's conduct in attempting to avoid infringement by modification of its prototype and defending the subsequent suit is nothing if not the 'ordinary' patent case. No evidence of bad faith conduct has been shown. The award of attorney's fees is not supported by the evidence and must be reversed."

[16] Counsel for Tanner on two occasions, counsel for National on one occasion.

There is no authority supporting an award of attorney fees under these circumstances. Indeed, all the authorities are to the contrary. See, e.g., *Western Elec. Co.* v. *Stewart-Warner Corp.*, 631 F.2d 333, 337-38 (4 Cir. 1980); *Continental Can Co.* v. *Anchor Hocking Glass Corp.*, 362 F.2d 123, 128-29 (7 Cir. 1966).

2. The District Court's Holdings Of Validity, Enforceability And Infringement Are Irreconcilable With The Facts

The prejudice to National from the District Court's procedures went far beyond the § 285 issue. National was denied opportunity before trial to learn of and to criticize the positions taken by AP with respect to the validity, enforceability and infringement of the patent in suit. This resulted in findings by the District Court that are irreconcilable with the undisputed facts and in an imposition of liability on National that is unsupported by the record.

We will not set forth all of the District Court's significant errors in this respect. One error concerning patent invalidity illustrates the prejudice caused by the procedures.

It is fundamental that patent claims cannot be rewritten by a court so as to keep them from "reading on" prior art that would render them invalid. See *Arbrook, Inc.* v. *American Hospital Supply Co.*, 645 F.2d 273, 275-76 (5 Cir. 1981); *Paeco, Inc.* v. *Applied Moldings, Inc.*, 562 F.2d 870, 874 (3 Cir. 1977). Yet this is precisely what was done in the present case. The District Court found, apparently based on AP's *ex parte* submissions, that "[t]he '388 patent . . . claims only the type of composition disclosed in example 8" of the '388 patent (A 9). It also made the related finding that claims of the '388 patent *exclude* compositions containing surfactants (A 26-27, 36).[17] However, AP's '388 patent claims are broader than example 8. Unlike example 8, they *include* compositions containing surf-

[17] Surfactants are substances added to disperse the starting materials in water before the final adhesive is made by polymerization.

actants. Therefore, on the basis of these findings, the District Court improperly ignored invalidating prior art.[18]

National never saw any written exposition of AP's position in the District Court. Until it saw the District Court's opinion, National never knew that AP was urging a factually unsound interpretation of its claims, one that was at odds with the authorities (see n.18, *supra*). Hence, National never had the opportunity to persuade the District Court to a contrary conclusion. The Court of Appeals made no independent review of the District Court's determination. It sustained the District Court because "no clear error" appeared. But that was because no fair opportunity was afforded to establish the error in these findings.

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[18] Patent claims must be interpreted in light of the claim language, the patent specification and the prosecution history. *Graham* v. *John Deere Co.*, 383 U.S. 1, 33 (1966); *United States* v. *Adams*, 383 U.S. 39, 48-49 (1966); *McGill Inc.* v. *John Zink Co.*, 736 F.2d 666, 673-74 (Fed.Cir. 1984); *Fromson* v. *Advance Offset Plate, Inc.*, 720 F.2d 1565, 1569-70 (Fed.Cir. 1983). The claims of the '388 patent require that the adhesive composition be made in the presence of a protective colloid. The claims list two specific protective colloids, polyvinyl alcohol ("PVOH") and hydroxyethyl cellulose ("HEC"). The '388 specification teaches the necessity of using surfactants. Examples 1, 2, 3 and 5 of the patent specification disclose the use of surfactants with HEC. The patent specification nowhere teaches that HEC can be used without surfactants. Therefore, claim 1, which is basic to all of the patent claims, and which calls for the presence of either HEC or PVOH as a protective colloid, necessarily also requires surfactants when HEC is used. The last thing AP did during the seven-year prosecution of the application for the '388 patent was to broaden claim 1 to specifically include HEC as an alternative to PVOH as a protective colloid. When AP did this, it knew that HEC required the use of surfactants, so that surfactants were necessarily added to claim 1. This compels the conclusion that the claims are invalid in view of an AP prior art patent no. 3,884,990 ("the '990 patent"), which discloses a paint containing *every element* of the claims of the '388 patent, including the use of HEC as a protective colloid along with surfactants.

The District Court found fact without the benefit of argument, which the Court of Appeals affirmed without substantive inquiry. The result is a failure of the judicial process to reach an informed resolution of the controversy. See Rule 52(a), F.R.Civ.P., and e.g., *Cloud* v. *Standard Packaging Corporation,* 376 F.2d 384, 391 (7 Cir. 1967).

CONCLUSION

The District Court kept a litigant in the dark before, during and after trial about the issues being decided by the Court and the contentions being propounded by the opposing party. This procedure tainted every element of the District Court's decision. The Court of Appeals' conclusory affirmance sanctioned a practice that denied National elemental due process and conflicts with the practice of other districts, as well as decisions of other federal courts of appeals and the policy of the Code of Judicial Conduct and the Federal Rules of Civil Procedure.

A writ of certiorari should issue in the interest of procedural fairness and the integrity of federal civil justice.

Respectfully submitted,

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